AR79

1969

Lee

Entarea

Management Limited

ANNUAL REPORT



HARRY NOCK
Chairman of the Board

Officers

Harry Nock —
Chairman of the Board
Toronto, Ontario

Richard Cummings —
President and Chief Executive Officer
Burlington, Ontario

Edwin S. Latta —
Secretary-Treasurer
Oakville, Ontario

John Andrachuk, C.A. —
Assistant Secretary-Treasurer
Oakville, Ontario

Directors

Major Kenneth Sterling Bateman
Colorado Springs, Colorado

Murray Joseph Howe
Burlington, Ontario

Richard Cummings
Burlington, Ontario

Douglas Leeds Hardtman, Q.C.
Kingston, Ontario

Gordon Thomas Hogarth
Oakville, Ontario

Edwin Seller Latta
Oakville, Ontario

Harry Nock
Toronto, Ontario

Lt. Col. Norman Straghan Rylance
Ottawa, Ontario



Mr. R. Cummings

President's Message

1969 has been another year of progress and growth for your company. In order to meet our expanding management commitments engineering and marketing staffs have been established. These staffs are headed by Mr. G. Tidswell, P.Eng., and Mr. D. Rowland, M.B.A. respectively.

The company's name has been changed to Entarea Management Limited to better describe the company's main functions. The year has been spent on consolidation of our existing industrial holdings and in preparation for further expansion. The authorized capital of the company was changed to 40,000 preference shares, par value $25. and 1,000,000 common shares without par value. During the year 40,230 common shares were issued for a consideration of $172,618. A two for one stock split was also effected in February 1969 resulting in a total of 292,410 shares outstanding as of April 30, 1969.

From a financial standpoint one of the most significant sets of events occurring during fiscal 1969 was the increase in working capital of $639,490. which increase was occasioned primarily from increases in long term debt, cash flow from earnings and liquidation of instalment notes and mortgages receivable. The long term debt of Royal Caribbean Hotels Limited was simplified by the discharge of the various loans owing as of April 30, 1968 and replaced, together with an increase in debt to cover working capital requirements, by a ten year debenture. Steel Master Tool Company Limited has also received $400,000 on a debenture loan in respect of its capital expansion programme. The major portion of instalment notes and mortgages receivable as of April 30, 1968 have been liquidated and the balances remaining as of April 30, 1969 are scheduled for liquidation in fiscal 1970.

Working capital will be used for acquisition and capital expansion purposes, as it is the intention of the Directors to ensure maximum utilization of funds at the company's disposal.

The company paid its second annual dividend of 12½¢ per share on October 31, 1968 and has paid the third annual dividend of 12½¢ per share on August 31, 1969.

Fiscal 1969 saw significant market action in the price of the company shares with a range of approximately $4.25 to $8.00 per share. The general market decline of the past several months has also affected the value of your shares which at September 2, 1969 were quoted at a bid price of $4.50 per share. An important factor to be kept in mind in assessing the value of shares is the fact that the net asset value per share is $4.64 as of April 30, 1969.

The capital expansion programme at Steel Master was concluded during the year and this, together with additions in Tecumseh, accounted for the bulk of additions to fixed assets amounting to $517,271. Approximately $750,000. will be spent during the 1970-71 years on further additions to

fixed assets in Steel Master and Tecumseh. These expenditures will complete the modernization and expansion plans for these companies.

Total assets increased by $586,839. or 21.6% over 1968. This was due primarily to increased levels of business activity requiring higher inventories and accounts receivable and also due to additions to fixed assets.

There was a substantial increase in sales and other income from $1,236,600 to $2,290,854 an increase of $1,054,254 or 85.3%. This was the result of having a full years operation in all subsidiaries and increases in the sales levels of the industrial companies of about 40% over those of the 1968 fiscal year. Your directors also expect sales increases of substantial magnitude for fiscal 1970. Interest and other income is becoming less important with the passage of time, as the assets generating those incomes are rapidly being liquidated. This class of income for fiscal 1970 will no longer be significant.

Profit from operations increased by $94,611 or 38.3% and income before income taxes and non-operating income increased by $38,139 or 30.6%. Net income per share was 37.7¢. If all options outstanding on capital stock were exercised, income per share would have been 34.1¢. Although net income for 1969 was lower than that for 1968, the results from operations were improved. The directors are confident of continuing this trend in the future.

During the past year the company has spent considerable effort in setting up a public equity underwriting and in applying for listing of the company's shares on the Toronto Stock Exchange. The underwriting would have had the effect of approximately doubling the net worth of the company and in addition would have enabled the company to meet the qualifications for listing of industrial companies by the Toronto Stock Exchange.

The company completed the filing of its preliminary prospects in respect of the underwriting with the Ontario Securities Commission immediately prior to the serious market downturn in mid-June 1969. Due to the general market downturn, the bid price of Entarea shares fell from $6.50 per share on June 15, 1969 to $4.50 per share on August 30, 1969. Company management decided, in conjunction with its underwriters, J. H. Crang & Co., Toronto, that an issue under the prevailing market conditions would be inadvisable due principally to the lower issue prices required for successful distribution.

The decision to withdraw the underwriting had the effect also of cancelling the acceptance for listing which the Toronto Stock Exchange had granted the company subject to successful completion of the equity underwriting.

I am pleased to announce the appointment of Harry Nock to the Board of Directors and his appointment as Chairman of the Board. Mr. Nock has had 50 years practical, theoretical and administrative engineering experience in a variety of industrial fields.

The company is moving along several well defined general paths and it is the intention of your directors to continue developing these particular lines of endeavour by internal growth and acquisition. I would personally like to express my appreciation and that of my colleagues on the Board of Directors to all the staff and employees of the company who have given of their best during the past year.

On behalf of the Board of Directors



R. Cummings,
President & Chief Executive Officer

Steel Master

All the issued shares of Steel Master Tool Company Limited were purchased by Entarea Management Limited in September of 1967.

For over 25 years Steel Master Tool Company Limited has been engaged in the design and manufacture of dies for the automotive industry. The company has built and tried out nearly all sizes of dies and fixtures for use in Canada, the United States and Mexico. The plant is fully equipped to handle dies up to 10 tons in weight, also large progressive dies, fixtures, gauges and special machinery.

Located in Windsor, Ontario, 20 minutes from the Detroit-Windsor tunnel, Steel Master Tool Company Limited and its sister company Tecumseh Metal Products Limited share a property comprising 18 acres of land inside the city limits. The working area covers 4 acres, 48,000 square feet of which is under one roof. An additional 11,680 feet of concreted storage space is also available.

The shop employees were unionized in the summer of 1968 after a strike of approximately 5 weeks' duration. Despite the strike however, using the $400,000 loan obtained from the Adjustment Assistance Board, the company completed its modernization program as planned. Capital expenditures for the fiscal year 1970 will therefore be minimal.

Tecumseh

All the issued shares of Tecumseh Metal Products Limited were purchased by Entarea Management Limited in September of 1967. The company had been in existence for 12 years at the time "Entarea" purchased it. It was an offshoot of Steel Master Tool Company Limited and benefits by having that company's facilities located on the same site.

Over the years Tecumseh Metal Products has been engaged in the manufacture of automotive stampings and assemblies from small to large. The stampings have included such items as floor pans, wheel housings, cowl panels, cross members. Although primarily serving the automotive trade the company is actively seeking to diversify its market and is meeting with some success in the agricultural implements and heavy truck field.

During the year a loan in the amount of $600,000 was approved for Tecumseh by the Adjustment Assistance Board.

It had been planned to add 12,000 square feet to the plant but this was subsequently changed to 20,000 square feet. 8,000 square feet of this has been completed and is in service, the remaining 12,000 square feet is now under construction.

As previously reported the program to add two new press lines, one of three 250 ton presses and one of three 400 ton presses was an ambitious one and in the event was not completed. The line of three 250 ton presses was changed to a line of four 250 ton presses and is now in operation. However it was decided to change the three 400 ton line to a 500 ton line of three presses and this will be completed this fiscal year.

Colt

All the issued shares of Colt Press Automation Limited were purchased by Entarea Management Limited in October of 1967.

Mr. F. J. Miller, Vice-President, Steel Master Tool Company Limited, was the founder of this very interesting acquisition. When purchased, the company had been in existence some two and a half years.

Although only a few press feeders had been actually produced and sold, the company under Mr. Miller had carried out considerable research and development work on all types of punch presses and associated equipment for such presses prior to acquisition by Entarea Management Limited.

This work has been continued and the following items are now in production:

Press Feeders – 12″ to 48″
Hitch Feeders – 4″
Coil Reels — 3,000 lbs. to 10,000 lbs.
Coil Cradles – up to 7,000 lbs.

The patent rights and design for a unique small feeder, termed a hitch feeder, designed by a Mr. Herman Offterdinger, have been purchased by Colt. The company is now in the process of establishing its marketing and production organization for the hitch feeder. Patents pending to the hitch feeder in the United Kingdom, Germany, United States and Canada have been granted our company. We are in the process of obtaining patent rights in Japan.

Royal Caribbean Hotels Limited

All the issued shares of Royal Caribbean Hotels Limited were purchased by Entarea Management Limited in May 1967.

The company is a Barbadian corporation and owns two hotels (operated as one) namely, the Royal Caribbean Hotel and Royal-On-Sea. The combined hotels have a total of 70 rooms. While it was realized that this was a rather small operation it was felt that it would give us experience in the Eastern Caribbean area before tackling any major projects. Of all the Islands looked at in the Eastern Caribbean area it seemed to our directors that Barbados offered the best climate, most stable government, and all adequate facilities for development of the tourist trade.

The company was not successful in purchasing the land adjoining the hotel site, which was reported on last year; however, we are continuing to examine land near the hotel on which to build efficiency type apartments.

For the time being our operations in this company will be restricted to Barbados and will be a mixture of hotel rooms and apartments. In this way we hope to be able to cater to the increasing number of visitors expected to be visiting Barbados when the "jumbo" aircraft are available.

Fund

Entarea Investment Fund was established by a Trust Indenture dated October 26, 1964, made between "Entarea" and the Royal Trust Company. The Fund is the successor to Entarea Investment Club, a private investment club, which commenced operation in March 1956.

The Fund is a diversified open-end mutual investment fund organized for the purpose of:

(a) providing a sound and simple means of participating financially in the economic growth of North America through proportional ownership of a select group of securities;

(b) seeking for its shareholders maximum long term growth of capital, consistent with a prudent yet aggressive investment policy, with current income as a secondary consideration.

Auditors' Report

To the Shareholders of
Entarea Management Limited

We have examined the consolidated balance sheet of Entarea Management Limited and subsidiary companies as at April 30, 1969 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except with respect to the change in depreciation policy as explained in note 5 and after giving effect in that year to the change in accounting for deferred income taxes and basis of valuing work in progress as explained in note 12, with which changes we concur.

Toronto, Canada
June 4, 1969
(September 8, 1969, as to note 11)

THORNE, GUNN, HELLIWELL & CHRISTENSON

Chartered Accountants



Entarea Management Limited and subsidiary companies (note 9)

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet - April 30, 1969

(with comparative figures for 1968)

ASSETS

	1969	1968
Current Assets		
Cash	$ 162,034	$ 42,717
Marketable securities, at cost (quoted market value $8,800)	11,221	
Accounts receivable, trade	349,960	230,560
Other amounts receivable (note 2)	489,740	200,650
Inventories (note 3)	490,761	226,210
Prepaid expenses	46,135	18,568
	1,549,851	718,705
Investments and Interest Bearing Notes Receivable, at cost (note 4)		577,517
Fixed Assets, at cost (note 5)		
Land	105,000	144,254
Buildings	840,436	820,518
Machinery and equipment	1,039,304	697,403
Furniture, fixtures, leasehold improvements and automobiles	190,219	123,640
	2,174,959	1,785,815
Less accumulated depreciation	674,567	593,778
	1,500,392	1,192,037
Deferred Charges		
Discount and financing expenses less amount amortized	18,893	19,759
Other deferred charges	25,721	
	44,614	19,759
Excess of cost over book value at dates of acquiring shares of subsidiaries	210,272	210,272
	$3,305,129	$2,718,290

Approved by the Board

Director

Director

LIABILITIES

	1969	1968
Current Liabilities		
Bank advances (note 6)	$ 428,465	$ 300,250
Accounts payable and accrued liabilities	309,677	262,918
Unsecured short term notes (note 7)	57,775	81,375
Principal amount due within one year on long term debt	108,370	74,030
Income taxes payable	58,533	52,591
	962,820	771,164
Long Term Debt (note 8)	960,815	801,581
Deferred Income Taxes (note 12)	24,233	28,316
Shareholders' Equity		
Capital stock (note 9)		
Authorized		
40,000 Preference shares of $25 each, issuable in series		
1,000,000 Common shares without par value		
Issued		
292,410 Common shares (1968, 126,090 shares of $5 par value)	1,098,768	630,450
Contributed surplus		295,700
Retained earnings	258,493	191,079
	1,357,261	1,117,229
	$3,305,129	$2,718,290

ENTAREA MANAGEMENT LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED APRIL 30, 1969

(with comparative figures for 1968)

	1969	1968
Sales, interest and other income	$2,290,854	$1,236,600
Profit from operations before deducting the following expenses	342,116	247,505
Deduct		
Interest on long term debt	64,299	58,906
Amortization of discount and financing expenses	3,490	4,060
Depreciation (note 5)	111,867	60,218
	179,656	123,184
Income before income taxes	162,460	124,321
Income taxes (note 12)		
Current	76,960	45,699
Deferred	(4,083)	9,456
	72,877	55,155
Income before undernoted items	89,583	69,166
Undernoted items		
Profit on sale of fixed assets and securities	12,768	23,891
Gain resulting from devaluation of Eastern Caribbean dollars (note 1)		48,793
	12,768	72,684
Net income for the year (note 12)	$ 102,351	$ 141,850

ENTAREA MANAGEMENT LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED APRIL 30, 1969

(with comparative figures for 1968)

	1969	1968
Balance at beginning of year		
As previously reported	$ 192,954	$ 85,470
Adjustments for deferred income taxes and work in progress (note 12)	1,875	8,900
As restated	191,079	76,570
Net income for the year	102,351	141,850
	293,430	218,420
Dividends paid	34,937	27,341
Balance at end of year	$ 258,493	$ 191,079

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

YEAR ENDED APRIL 30, 1969

(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	$295,700	$228,915
Add		
Premium on shares issued for cash	50,786	66,665
Premium on shares issued on exercise of warrants	1,281	90
Premium on shares issued on exercise of options	50	30
Premium on shares issued on conversion of secured collateral trust notes	7,600	
Deduct		
Transfer to capital stock upon changing of common shares from $5 par value to no par value	(355,417)	
Balance at end of year	Nil	$295,700

ENTAREA MANAGEMENT LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED APRIL 30, 1969

(with comparative figures for 1968)

Source of funds	**1969**	**1968**
Operations		
Net income for the year	$ 102,351	$ 141,850
Items not involving current funds		
Depreciation	111,867	60,218
Amortization of discount and financing expenses	3,490	4,060
Deferred income taxes	(4,083)	9,456
	213,625	215,584
Long term borrowing	616,400	302,257
Sale of fixed assets	97,050	244,033
Issue of common shares	153,617	150,420
Working capital acquired on purchase of subsidiary companies		272,061
Decrease in investments and interest bearing notes receivable	577,517	
	1,658,209	1,184,355
Application of funds		
Additions to fixed assets	517,271	350,982
Decrease in non-current portion of long term debt	438,166	177,917
Deferred charges	28,345	
Dividends paid	34,937	27,341
Investment in subsidiary companies		1,010,000
Increase in investments and interest bearing notes receivable		358,101
	1,018,719	1,924,341
Increase (decrease) in working capital position	639,490	(739,986)
Working capital (deficiency) at beginning of year	(52,459)	687,527
Working capital (deficiency) at end of year	$ 587,031	$ (52,459)

ENTAREA MANAGEMENT LIMITED

and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 1969

1. Basis of Consolidation and Currency Conversion

The consolidated financial statements include the accounts of the following wholly owned subsidiary companies:

Hazelwood Developments Limited, 74% acquired in 1965 and the remaining 26% acquired in 1966
Steel Master Tool Company Limited, acquired September 1, 1967
Tecumseh Metal Products Limited, acquired September 1, 1967
Colt Press Automation Limited, acquired October 31, 1967
Royal Caribbean Hotels Limited, acquired May 1, 1967

Eastern Caribbean dollar balances have been converted into Canadian dollars on the following basis: fixed assets (including depreciation thereon) at the rates prevailing on the dates of acquisition; current assets and current liabilities at the rate prevailing at the company's year end; long term debt at the rate prevailing at the date of issue; shareholders' equity at the rate prevailing at the date of acquisition of the company; revenue and expenses other than depreciation at the average rates prevailing during the year. A gain resulting from devaluation of Eastern Caribbean dollars in the company's 1968 fiscal year amounting to $48,793 has been shown in the consolidated statement of income.

2. Other Amounts Receivable

	1969	1968
Trust company deposit certificate	$ 5,000	$ 5,000
Mortgages receivable	113,332	29,503
Interest bearing notes receivable	148,603	135,400
Debenture funds receivable (since received)	159,111	
Receivable from affiliated companies (since received)	41,600	
Income taxes recoverable	10,848	
Miscellaneous amounts receivable	11,246	30,747
	$489,740	$200,650

Details of mortgages receivable:

6%, maturing December 31, 1969 with an option to extend the term to December 31, 1970 upon the payment of $15,000 principal and adjustment of the interest rate from 6% to 9% for 1970, with interest on principal outstanding payable quarterly	$108,091
9% maturing June, 1969	5,241
	$113,332

3. Inventories

	1969	1968
Raw materials	$ 90,487	$ 80,265
Work in progress	340,255	116,198
Finished goods	60,019	29,747
	$490,761	$226,210

Raw materials are valued at the lower of cost and net realizable value with the exception of steel which is valued at the lower of cost and replacement cost.
Work in progress is valued at the lower of cost and net realizable value.
Finished goods are valued at selling prices less normal profit margin.

4. Investments and Interest Bearing Notes Receivable

	1968
Marketable securities (quoted market value $157,025)	$ 198,750
Mortgages receivable less amount due within one year	262,534
Interest bearing notes receivable less amount due within one year	116,233
	$ 577,517

5. Depreciation

During the year, two subsidiary companies acquired on September 1, 1967 changed their depreciation policy on production machinery from the declining balance method to the straight line method and revised rates of depreciation based on actual rates of usage of machinery for production purposes.

The effect of using the currently applied methods of depreciation accounting in respect of 1968 would have been to increase net income before taxes by $2,800.

6. Bank Advances

The bank advances are secured by a general assignment of book debts and inventories.

7. Unsecured Short Term Notes

The unsecured short term notes bear interest at rates ranging from 5¾% to 7¾%.

8. Long Term Debt

	1969	1968
Entarea Management Limited		
Mortgages payable, bearing interest at rates ranging from 6½% to 12% maturing at various dates from 1972 to 1988	$ 46,585	$ 98,457
6½% Sinking fund secured collateral trust notes, Series A, to mature May 15, 1980	51,000	126,000
6½% Sinking fund debentures, Series A, to mature September 15, 1978	177,000	177,000
7% Promissory note payable, due September 1, 1972, payable in equal annual principal instalments of $46,000	184,000	230,000
Steel Master Tool Company Limited		
7¼% Debenture, payable $5,000 monthly, maturing in 1975	370,000	
Tecumseh Metal Products Limited		
7% Mortgage, payable $200 quarterly, maturing March 1, 1978	24,200	25,000
Royal Caribbean Hotels Limited (payable in Eastern Caribbean dollars)		
9½% Bank debenture payable $21,640 annually on May 1, maturing May 1, 1979. The interest rate on the debenture is variable with the current bank rate charged (E.C. $400,000)	216,400	
9¼% Bank loan, payable $6,330 annually on April 30, maturing April 30, 1970 (E.C. $35,100)		18,989
6% Mortgage, payable $340 monthly, due April 30, 1970 (E.C. $15,990)		8,651
8% Mortgage, payable $5,410 annually, due January 2, 1977 (E.C. $90,000)		48,690
9¼% Bank bridging loan, with no fixed repayment date (E.C. $70,000)		37,870
6% Unsecured loan, with no fixed repayment date (E.C. $70,000)		37,870
8% First debentures less redemptions during year (E.C. $124,000)		67,084
	1,069,185	875,611
Less principal amount included in current liabilities	108,370	74,030
	$ 960,815	$ 801,581

8. Long Term Debt (Cont'd)

Sinking fund requirements are as follows:

Sinking fund debentures, Series A	
1970	$ 3,000
1971-1977	21,000 annually
Secured collateral trust notes, Series A	
1978	$ 3,000
1979	21,000

The 7% promissory note payable is secured by the assignment of 35% of the outstanding shares of Steel Master Tool Company Limited and Tecumseh Metal Products Limited.

9. Capital Stock and Change of Name

On February 5, 1969 the company obtained supplementary letters patent which

(a) changed the authorized and issued common shares, par value $5 into common shares without par value and subdivided the shares on a 2 for 1 basis

(b) increased the authorized capital by creating 40,000 preference shares, $25 par value and 600,000 common shares without par value

During the year, the company issued 40,230 common shares as subdivided as follows:

300 shares upon exercise of options at $3 per share
9,004 shares upon exercise of share purchase warrants at $4 per share
4,560 shares in exchange for $19,000 of secured collateral trust notes
26,366 shares for $116,701 cash.

On May 29, 1969, the company obtained supplementary letters patent

(a) changing the name to Entarea Management Limited from Entarea Investment Management Limited

(b) providing that the first series of preference shares shall consist of 25,000 shares designated as 7½%, cumulative, redeemable convertible preference shares, series "A". The shares are redeemable at any time at a 6% premium and are convertible on the basis of 4 common shares for each preference share up to July 15, 1972 and on the basis of 3 common shares for each preference share up to July 15, 1975.

Under conditions attaching to the Series A preference shares, the company shall not without authorization by the Series A preference shareholders pay any dividend on common shares which would reduce consolidated retained earnings below an amount equal to dividend requirements for two and one-half years on all preference shares outstanding.

On or before July 15 each year, commencing in 1970 the company is required to set aside in a separate account of the company as a redemption fund an amount equal to 5% of the aggregate par value of all Series A preference shares issued, to be applied as soon as practicable to the purchase or redemption of Series A preference shares. Preference shares purchased for cancellation or converted into common shares shall constitute a redemption fund credit.

The company has reserved 29,050 common shares as follows:

(a) 558 common shares optioned at $3 per share exercisable on or before June 30, 1970

(b) 11,492 common shares for exercise of outstanding shares purchase warrants at $4 per share on or before June 30, 1970

(c) On May 26, 1969, 17,000 common shares under Employee Share Purchase Plan

10. Dividend Restrictions

Under the conditions attaching to the Series A notes and Series A debentures there are certain provisions restricting the payment of dividends, the most restrictive of which prevents the payment of more than 50% of consolidated net income earned since December 31, 1964.

11. Option

The company has an option which expires on September 30, 1969 to purchase all the outstanding shares of another company for $200,000 and 10,000 common shares. This option will be allowed to expire.



12. Changes in Basis of Accounting

In 1969 the basis of accounting for income taxes in the parent company, Entarea Management Limited, was changed to reflect deferred income taxes in the accounts. The 1968 figures have been restated to reflect this change in accounting practice by a credit in the consolidated statement of income of $2,907 to income tax expense and a charge in the consolidated statement of retained earnings of $8,900 for the deferred income taxes accumulated to May 1, 1967.

In 1969 the basis of valuing work in progress of one of the subsidiary companies was changed to reflect a charge for overhead. The 1968 figures have been restated to reflect this change in accounting practice which resulted in an increase in consolidated net income of $4,118.

The change in accounting for deferred income taxes together with the change in valuing work in progress resulted in an increase in consolidated net income for 1968 of $7,025 from that previously reported.

13. Other Statutory Information

Remuneration of directors and senior officers amounted to $44,341 (1968, $52, 996).

14. Comparative Figures

The 1968 comparative figures reflect the revised basis of financial statement presentation adopted for 1969.

Auditors:

Thorne, Gunn, Helliwell & Christenson

Bankers:

Bank of Nova Scotia

Royal Bank of Canada

Legal Counsel:

Frost and Redway — Toronto

Transfer Agent and Registrar:

Canada Permanent Trust Company — Toronto

Trustees:

6½% Series A Secured Collateral Trust Notes

Canada Permanent Trust Company
Toronto, Ontario

6½% Series A Debentures

Entarea Investment Fund
Royal Trust Company
Toronto, Ontario

Head Offices:

345 Lakeshore Road East,
Oakville, Ontario

Wholly-owned subsidiary companies:

Steel Master Tool Company Limited—Windsor, Ontario

Tecumseh Metal Products Limited—Windsor, Ontario

Colt Press Automation Limited—Oakville, Ontario

Royal Caribbean Hotels Limited—Barbados, W.I.

Hazelwood Developments Limited—Oakville, Ontario



June 10, 1969

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Preliminary Prospectus dated June 10, 1969 **No 7**

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. This prospectus constitutes a public offering of these securities for sale only in those provinces of Canada where a prospectus has been filed.

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ENTAREA MANAGEMENT LIMITED

(Incorporated under the laws of the Province of Ontario)

25,000 7½% Cumulative Redeemable Convertible Preference Shares, Series A

(with a par value of $25 each)

and

50,000 Common Shares

(without par value)

Offered in Units of one Series A Preference Share and two Common Shares

The Series A Preference Shares bear fixed cumulative preferential cash dividends at the rate of 7½% per annum as and when declared by the board of directors accruing from the date of allotment and payable quarterly on the first days of January, April, July and October. The Series A Preference Shares may be redeemed at any time at the par value thereof plus a premium of 6%, together with all accrued and unpaid dividends. The provisions attaching to the Series A Preference Shares are summarized under the sub-heading "Series A Preference Shares" on page 10 hereof.

Conversion Privilege

Each Series A Preference Share is convertible at any time up to and including July 15, 1972 or the third business day prior to the date fixed for redemption of such share, whichever is earlier, into four Common Shares of the Company and thereafter and at any time up to and including July 15, 1975 or the third business day prior to the date fixed for redemption of such share, whichever is earlier, into three Common Shares of the Company. The rates at which Series A Preference Shares are convertible into Common Shares of the Company are subject to adjustment in certain events.

Transfer Agent and Registrar: CANADA PERMANENT TRUST COMPANY

	Price to Public	Underwriting Commission	Proceeds to Company*
Per Unit of one Series A Preference Share and 2 Common Shares	$ •	$ •	$ •
TOTAL	$ •	$ •	$ •

*Before deducting the expenses of offering (payable by the Company) estimated at $35,000.

We, as principals, offer these Units, subject to prior sale, if, as and when accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. Frost and Redway of Toronto, Ontario and on our behalf by Messrs. Zimmerman, Winters, Worley, Grant, Hugo, Paddon & Bennett of Toronto, Ontario.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that these shares will be available for delivery in definitive form on or about July 30, 1969.

This is a preliminary prospectus relating to these securities, a copy of which has been filed with the Ontario Securities Commission but which has not yet become final for the purpose of a primary distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time a receipt is obtained from the Ontario Securities Commission for the final prospectus.

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FINANCIAL STATEMENTS AND STATISTICAL INFORMATION

All dollar figures contained herein, unless otherwise indicated, are in Canadian dollars.

THE COMPANY

General

Entarea Management Limited (the "Company") was incorporated under the name Entarea Investment Management Limited under the laws of the Province of Ontario by letters patent dated May 27, 1957. Supplementary letters patent were issued to the Company on June 15, 1959, September 30, 1960, December 28, 1962, August 21, 1963 and February 5, 1969. Supplementary letters patent dated May 29, 1969 changed the name of the Company to its present form, varied the provisions attaching to the Preference Shares as a class and fixed the designation of and the provisions attaching to the Series A Preference Shares.

The head office and principal executive and administrative offices of the Company are located at 345 Lakeshore Road East, Oakville, Ontario.

History of the Company

During the period from the incorporation of the Company in 1957 until October of 1964, the Company managed the investments of Entarea Investment Club, a private investment club whose members were officers of the Canadian Armed Forces. On October 24, 1964, Entarea Investment Club was converted into an open-end mutual fund named Entarea Investment Fund and since that date the Company has managed the investments and distributed the shares of the said fund.

In 1959, the Company commenced the business of making mortgage and instalment loans, principally to members of Entarea Investment Club. By May 31, 1965, amounts receivable by the Company pursuant to such mortgages and loans totalled $1,122,000. In 1966, the Company withdrew from the mortgage and loan business.

In 1964, the Company acquired all the shares of Northrigg Investments Limited, a company which held real estate in the Province of Ontario. In addition, all the issued shares of Hazelwood Developments Limited, a real estate development company, were purchased by the Company during 1965 and 1966. In 1965, Northrigg Investments Limited was wound up and its assets were transferred to the Company. Hazelwood Developments Limited has disposed of its real estate holdings and is now inactive.

On May 1, 1967 the Company bought the issued shares of Royal Caribbean Hotels Limited ("Royal Caribbean"), a Barbadian company which owns two hotels in Hastings, Barbados.

In September of 1967, the Company purchased all the issued shares of Steel Master Tool Company Limited ("Steel Master") and Tecumseh Metal Products Limited ("Tecumseh"), two related companies engaged primarily in the production of dies and metal stampings for the automotive industry. Shortly thereafter, the Company acquired all the issued shares of Colt Press Automation Limited ("Colt"), a company engaged in the design and manufacture of punch presses, automatic press feeders, coil reels and related equipment. Since the acquisition of these three industrial companies, the Company's efforts have been directed to developing new products, increasing productive capacity through purchases of capital equipment and physical enlargement of facilities and building a marketing organization.

In October of 1968, the Company leased 2,500 square feet of office space at 345 Lakeshore Road East, Oakville, Ontario for a term of 5 years at an annual rental of $7,500.

Current Matters

Champion Machine and Tool Co. Limited

By an agreement dated April 15, 1969 made between John H. Buttery and John W. Buttery (the "grantors") and the Company, the grantors granted to the Company an option to purchase on or before August 15, 1969 all the issued and outstanding shares of Champion Machine and Tool Co. Limited ("Champion"). If the option is exercised, the purchase price will be $200,000 plus 10,000 Common Shares to be issued by the Company, which purchase price was determined by negotiation between the Company and the grantors.

Since 1954, Champion has carried on the business of custom metal fabrication, custom metal working and metal working of a production nature for the aircraft and aerospace industries of both Canada and the United States. In addition, Champion has tool and die making and stamping facilities. Champion occupies 22,000 square feet of space in a masonry building in Cooksville, Ontario under a lease which has 10 years to run.

Champion's sales record, using 1965 as the base year, has been as follows:

	Increase over 1965
1966	10%
1967	61
1968	2

Oakville Industrial Building

The Company plans to construct and manage an industrial building (the "Oakville Building") in an industrial park at Oakville, Ontario close to the Queen Elizabeth Highway, the Sheridan Park Research Centre and the Canadian National Railway depot. The Oakville Building, which when completed will have an area of 50,000 square feet, will be of modular construction so that new sections can be added readily and internal partitions can be re-arranged easily. Construction of the first phase will be completed on or about September 30, 1969 at which time part of the building will be occupied by Colt's design and new manufacturing facilities and the balance will be leased to outside tenants. The industrial park in which the Oakville Building will be constructed is not subject to by-laws restricting commercial production and space in the Oakville Building may therefore be leased to small and medium sized mechanical, electrical and chemical businesses in the Oakville area.

BUSINESS OF THE COMPANY

General

The Company's principal business consists of

(i) industrial metalworking and the manufacture of industrial metalworking machinery;

(ii) the ownership and operation of two hotels in Barbados; and

(iii) the management and distribution of an open-end Canadian mutual fund.

Details of the three aspects of the Company's principal business are set out below.

Metalworking and Machinery Manufacture

Steel Master Tool Company Limited and Tecumseh Metal Products Limited

Steel Master and Tecumseh form an integrated metalworking operation which serves the automobile manufacturing industry. Located near the Detroit market, these two companies carry on manufacturing operations in two adjacent buildings in Windsor, Ontario.

Steel Master has been engaged for 25 years in the design and manufacture of tools and dies for the North American automotive industry. Its plant is equipped to produce dies weighing up to 10 tons as well as large progressive dies, fixtures, gauges and special machinery. Since 1965, Steel Master has made the following capital expenditures:

Fiscal Year	Capital Expenditure
1965	$ 10,984
1966	45,744
1967	22,631
1968	218,945
1969	339,854

In 1968, Steel Master was granted a 7¼% loan in the amount of $400,000 by the Government of Canada pursuant to the Automotive Assistance Regulations for the purpose of modernizing and expanding its production facilities. As a result of the purchase of new machinery with the proceeds of the loan, Steel Master now has a well equipped tool and die workshop and is capable of handling foreseeable production volume increases.

Steel Master owns 9 acres of land on Tecumseh Road in Windsor, Ontario. Located on the said land are two one-storey concrete block and steel buildings of 20,000 square feet and 28,000 square feet respectively, the former of which is used by Steel Master for its own operations and the latter of which is occupied by Tecumseh. Steel Master proposes to add additional office space to the former building within the next two years and Tecumseh intends to add an additional 12,000 square feet to the latter building this year. The said land is subject to a first mortgage securing the aforesaid debt of Steel Master to the Government of Canada in the amount of $400,000.

Steel Master's debt is also secured by a first fixed charge upon all machinery and equipment now owned or hereafter acquired by Steel Master and by guarantees given by Tecumseh and the Company.

Steel Master also leases 3,500 square feet of space at Oakville, Ontario for use as a machine shop at an annual rental of $3,900. The term of the said lease is 3 years from November 15, 1968.

Tecumseh has been engaged for 15 years in manufacturing a wide range of automotive stampings and assemblies such as floor pans, wheel housings, cowl panels and cross members for automobiles and trucks. Tecumseh now has presses ranging in capacity from 40 tons to 500 tons of which three 250 ton presses designed by Colt and built by Steel Master have been added recently. Since 1967, Tecumseh has made the following capital expenditures:

Fiscal Year	Capital Expenditure
1967	$ 21,482
1968	57,592
1969	131,668

Tecumseh has recently obtained approval for a loan of $600,000 under the Automotive Assistance Regulations. The proceeds of the said loan will be used to finance a capital expansion and modernization program involving the addition of 12,000 square feet of factory space and the purchase of three 500 ton presses and two 250 ton presses. The loan will be secured by a first mortgage on Tecumseh's real property and by a first charge on all machinery and equipment now owned or hereafter acquired by Tecumseh. Steel Master and the Company will also guarantee repayment of the loan.

Tecumseh also owns 9 acres of land on Tecumseh Road in Windsor, Ontario, immediately adjacent to the land owned by Steel Master. This land, which cost $40,000, is undeveloped and is being held by Tecumseh to meet future expansion requirements. The said land is subject to a first mortgage securing payment of purchase price thereof.

Steel Master and Tecumseh are currently endeavouring to expand their operations into the farm implement, appliance and automotive supply areas.

Since acquiring Steel Master and Tecumseh the Company has concentrated on improving their sales effectiveness. Unlike many competitors of Steel Master and Tecumseh who rely for sales promotion on the efforts of manufacturers' agents or owner-managers, the Company engages two employees for the sole purpose of promoting the sale of products manufactured by Steel Master and Tecumseh.

Prior to the time the Company purchased the shares of Steel Master and Tecumseh, sales to United States purchasers had accounted for from 10% to 20% of the companies' total sales. Because of the Canada-U.S. Automotive Free Trade Pact and because of the sales promotion initiated by the Company to take advantage of the opportunities afforded by the Pact, shipments to United States customers now account for approximately 60% of the companies' total sales.

The sales revenue of Steel Master and Tecumseh for the last 5 fiscal years has been as follows:

Fiscal Year	Steel Master	Tecumseh
1965.....	$229,864	$ 728,124
1966.....	188,983	920,862
1967.....	395,276	1,012,909
1968.....	408,262	1,074,438
1969.....	556,869	1,524,566

During each of these years approximately 50% of Steel Master's sales of tools and dies were made in connection with stamping contracts which were awarded to Tecumseh.

Tecumseh now has on hand purchase orders totalling $2,000,000 for the fiscal year ending April 30, 1970 (after making customary allowance for cancellations).

Colt Press Automation Limited

Colt is engaged in the design, manufacture and sale of punch presses, press feeders and unloaders and related equipment used in the metal stamping business. Prior to the Company's obtaining control of Colt in 1967, Colt had carried out research and development work on new products but had not commenced manufacturing and sales activities. In the past year, Colt completed design and development of lines of 100, 150, 250 and 500 ton punch presses. Colt has also developed and commenced production of a range of sheet metal press feeders for stock from 4″ to 48″ wide, coil reels with capacities from 3,000 lb. to 10,000 lb. and a variety of coil cradles.

One of the sheet metal press feeders produced by Colt is a unique 4″ hitch feeder on which Colt has applied for patents in the United Kingdom, Germany, the U.S.A., Canada and Japan. The feeder handles steel stock up to 4″ wide and ¼″ thick and has a stroke of up to 4″. Owing to an improved system of gripping the metal strips, tolerances can be held within .001 of an inch. In addition, direct linkage to the punch press makes the feeder capable of matching press speed. In the Company's opinion, the hitch feeder saves production time, maintains high quality control and requires minimal maintenance. In addition, by attaching a hitch feeder to each die used repeatedly in a given press, setup time can be saved. The Company feels that there is a significant market potential for this feeder not only because of the large number of presses and dies which could profitably use the feeder but also because, in the Company's opinion, there is virtually no press feeder on the market in this size and price category which can approach the accuracy and speed of this unit. In addition, simple production methods required to manufacture the hitch feeder mean a low production cost with the resultant option of low market pricing.

Based on preliminary market estimates, production facilities are being set up for an initial output of 300 hitch feeders per month. Certain of the minor components are purchased from outside companies but as production volume gradually increases, and it becomes profitable to do so, Colt will manufacture more of these components itself. Once the 4″ hitch feeder is firmly established in the market, Colt plans to release an 8″ feeder and later a 12″ feeder using some of the patentable features of the 4″ hitch feeder.

Negotiations are underway in New York State and in California to have Colt's products sold through a system of distributors and manufacturers' agents throughout the United States. Once established, this system will be expanded to include parts of the Canadian and European markets. In addition, Colt employs a salesman to give direct coverage to Canadian customers.

Thus far, Colt's products have been manufactured through the facilities of Steel Master at Windsor and Oakville, Ontario. However, the Company plans to lease part of the Oakville Building (described under the sub-heading "Oakville Industrial Building" on page 4 hereof) to Colt and it is anticipated that Colt's design and manufacturing facilities will be located in the Oakville Building.

The functions of the metal working companies are complementary in that Steel Master and Colt now manufacture and design virtually all the tools, dies and presses used by Tecumseh in its stamping and metal fabrication business. Thus, for many contracts it is not necessary to sacrifice the time, expense and quality control often involved in subcontracting to outside firms. Coordination between the companies is assured by the common senior management.

Hotels

Royal Caribbean owns and operates the Royal Caribbean Hotel and the former Royal-On-Sea Hotel, in Hastings, Barbados. These hotels, which have accommodation for an aggregate of 123 guests, were acquired by Royal Caribbean in 1966 and are operated as one unit, complete with air conditioned rooms, restaurant, bar, fresh water swimming pool and ocean front beach. The hotel buildings, ranging in age from 10 to 35 years, are of masonry construction and are situate on land owned by Royal Caribbean. Room rates are on the Modified American Plan, ranging from $14.00 to $40.00 (U.S.) per night in summer (April 16—December 15) and from $22.00 to $58.00 (U.S.) in winter (December 16—April 15).

The profitability of Royal Caribbean's hotels depends principally on the number of tourists who visit Barbados. The growth in the tourist industry in Barbados is indicated by the following statistics provided by the Statistical Service of the Government of Barbados:

Year	Total Commercial Airline Passenger Arrivals	% Increase over previous year
1961	37,060	
1962	44,258	19.4%
1963	50,627	14.4
1964	57,625	13.8
1965	68,418	18.7
1966	79,104	15.6
1967	91,565	15.8

The Tourist Board of Barbados estimates that passenger arrivals by airline in 1968 were 108,000, representing an increase of 18% over 1967 arrivals. Over the years, there has also been an increase in the average length of time which visitors stay in Barbados. The Tourist Board of Barbados is seeking to promote the island as a year-round resort area through such means as advertising in North American newspapers and goodwill tours. Royal Caribbean also has plans to attempt to increase its own summer occupancy by appealing to service clubs and other groups wishing to take advantage of charter flights and lower off-season hotel rates. Currently, Royal Caribbean's hotels are promoted by hotel representatives to travel agents in Europe and North America and the hotel manager makes regular promotional calls to travel agents in Canada and the Eastern United States.

Since acquisition of the two hotels by Royal Caribbean, eight new rooms have been added, the premises have been completely refurnished and redecorated, the kitchens have been re-equipped and many of the air conditioning units have been replaced. Capital expenditures for this renovation program totalled $44,800 in Royal Caribbean's 1967 fiscal year, $18,100 in the 1968 fiscal year and $7,100 in the 1969 fiscal year. The 1968 and 1969 expenditures were financed out of current operating revenue from the hotels.

Revenue, operating costs (inclusive of the renovation expenditures referred to above) and net assets of Royal Caribbean for the last three fiscal years are summarized below:

	Year ended April 30, 1967	Year ended April 30, 1968	Year ended April 30, 1969
Total revenue	$244,415	$353,171	$356,742
Operating costs	$181,197	$302,459	$277,514
Net Assets	$240,675	$288,494	$302,035

On April 30, 1969, Royal Caribbean arranged a refinancing and consolidation of all its long term debt. As a result, Royal Caribbean now owes the principal sum of $216,400 payable in ten equal annual instalments of $21,640 with interest at the current bank rate payable monthly. The repayment of this sum is secured by a first mortgage of the real estate owned by Royal Caribbean and a debenture containing a floating charge upon its other assets and is guaranteed by the Company. The mortgage and debenture contain no restrictions upon the payment of management fees or dividends or other distributions upon the shares of Royal Caribbean.

Mutual Fund Management and Distribution

Under an agreement made October 26, 1964 between the Company and The Royal Trust Company, the Company acts as the manager of the investments and the distributor of the shares of Entarea Investment Fund (the "Fund"), a diversified open-end public mutual fund whose assets and operations are entirely separate from those of the Company. The shares of the Fund are offered for sale to the public in the Provinces of Ontario, British Columbia, Manitoba, Nova Scotia and Prince Edward Island.

On sales of shares of the Fund the selling broker receives a commission of up to 6% of the sale price and the Company, as distributor of shares of the Fund, receives a commission of up to 2½% of the sale price. In addition, the Company, as manager of the Fund, receives a monthly management fee equal to the following percentages of the capital (total net assets) of the Fund, as at the last day of each month:

Total Net Assets of the Fund	Monthly Percentage Fee
Up to and including $1,000,000.00	1/6 of 1%
Over $1,000,000.00 and up to and including $3,000,000.00	7/48 of 1%
Over $3,000,000.00 and up to and including $5,000,000.00	1/8 of 1%
Over $5,000,000.00 and up to and including $10,000,000.00	5/48 of 1%
Over $10,000,000.00 and up to and including $100,000,000.00	1/12 of 1%
Over $100,000,000.00	1/16 of 1%

The value of the total net assets of the Fund as at April 30, 1969 was $3,202,523. Part of the aforesaid management fee is used by the Company to retain investment counsel.

Miscellaneous

Hazelwood Developments Limited, which is an inactive wholly owned subsidiary of the Company, holds a mortgage in the principal amount of $108,000 and has no liabilities.

The Company also owns two houses, one in Oakville and the other in Burlington, both of which are mortgaged and rented.

DIVIDEND RECORD

During the last five completed financial years of the Company, the Company has paid the following dividends per share on the common shares of the Company:

Financial Year Ended	Dividend paid per Common Share
April 30, 1968	$.125
April 30, 1969	$.125

The dividends paid during the financial years ending April 30, 1968 and April 30, 1969 as shown above have been adjusted to reflect the subdivision of each common share into 2 common shares by supplementary letters patent dated February 5, 1969. The Company has also declared a dividend of $.125 per common share payable on August 31, 1969 to shareholders of record on June 15, 1969.

CAPITALIZATION

	Amount Authorized	Amount outstanding as of April 30, 1969	Amount outstanding as of May 31, 1969	Amount to be outstanding if all the securities being issued are sold
Long Term Debt				
Entarea Management Limited				
Mortgages payable, bearing interest at rates from 6½% to 12% maturing at dates from 1972 to 1988		$ 46,585	$ 45,894	$ 45,894
6½% Sinking Fund Secured Collateral Trust Notes Series A, to mature May 15, 1980	$ 500,000	51,000	51,000	51,000
6½% Sinking Fund Debentures, Series A, to mature September 15, 1978	300,000	177,000	177,000	177,000
7% Promissory Note payable as to principal in equal annual instalments of $46,000 maturing September 1, 1972		184,000	184,000	184,000
Steel Master Tool Company Limited				
7¼% Debenture maturing June 15, 1975 payable as to principal in equal monthly instalments of $5,000	400,000	370,000	365,000	365,000
Tecumseh Metal Products Limited				
7% mortgage, payable $200 quarterly, maturing March 1, 1978		24,200	24,200	24,200
Royal Caribbean Hotels Limited				
(payable in Eastern Caribbean dollars) Debenture with interest at bank rate from time to time maturing May 1, 1979 payable as to principal in equal annual instalments of $40,000 East Caribbean ($21,640 Canadian)	216,400 (Canadian)	216,400 (Canadian)	216,400 (Canadian)	216,400 (Canadian)
Capital				
Entarea Management Limited				
Preference shares with a par value of $25 each issuable in series	40,000 shs.			
7½% Cumulative Redeemable Convertible Preference Shares, Series A	25,000 shs.	—	—	25,000 shs. ($625,000)
Common Shares without par value	1,000,000 shs.	292,410 shs. ($1,098,768)	292,410 shs. ($1,098,768)	342,410 shs.* ($ •)

*The Company has authorized but unissued Common Shares reserved for issuance as follows:

Under Employee Share Purchase Plan	17,000
For exercise of options to purchase common shares at $3 per share	558
For exercise of share purchase warrants at $4 per share	11,492
Total	29,050

MANAGEMENT OF THE COMPANY

The names, home addresses and principal occupations within the five preceding years of the directors and officers of the Company are as follows:

Name and Home Address	Company Office Held	Principal Occupation for last 5 years
JOHN ANDRACHUK, C.A. 1141 Rebecca Street, Oakville, Ontario	Assistant Secretary-Treasurer	Staff Accountant, Gunn, Roberts & Co., Chartered Accountants (1964-1966); Executive, Entarea Management Limited (1966-1969)
KENNETH STERLING BATEMAN 1304 Lazy Lane, Colorado Springs, Colorado, U.S.A.	Director	Officer, Canadian Armed Forces
RICHARD CUMMINGS 437 Indian Road, Burlington, Ontario	President and Chief Executive Officer Director	Executive, Entarea Management Limited
DOUGLAS LEEDS HARDTMAN, Q.C. 11 Princess Street, Kingston, Ontario	Director	Barrister and Solicitor
GORDON THOMAS HOGARTH 430 Sumner Avenue, Oakville, Ontario	Director	Officer, Canadian Armed Forces (1964-1968); Executive, Entarea Management Limited (1968-1969); Securities Salesman (1969)
MURRAY JOSEPH HOWE 347 Rosslyn Drive, Burlington, Ontario	Director	Partner, J. H. Crang & Co., Toronto, Ontario
EDWIN SELLER LATTA 341 Lees Lane, Oakville, Ontario	Secretary-Treasurer Director	Executive, Entarea Management Limited
HARRY NOCK 4 Deer Park Crescent, Toronto, Ontario	Chairman of the Board Director	Retired Industrialist
NORMAN STRAGHAN RYLANCE 12 Higwood Drive, Ottawa, Ontario	Director	Officer, Canadian Armed Forces

THE OFFERED SHARES

Series A Preference Shares

The 25,000 7½% Cumulative Redeemable Convertible Preference Shares, Series A (the "Series A Preference Shares") offered by this prospectus constitute the first series of a class of 40,000 Preference Shares with a par value of $25 each (which as a class are herein called the "Preference Shares"). The statements which follow are a summary of the principal attributes of the Series A Preference Shares and do not purport to be complete. Such statements are subject in their entirety to the supplementary letters patent dated February 5, 1969 and May 29, 1969 issued to the Company which contain a full statement of all preferences, rights, restrictions, conditions, limitations and prohibitions attaching to the Preference Shares and the Series A Preference Shares. Copies of such supplementary letters patent are available for examination at the principal office of the Company.

The following is a brief summary of the principal attributes of the Series A Preference Shares offered hereby:

Dividends

The holders of Series A Preference Shares are entitled to receive, as and when declared by the board of directors out of the moneys of the Company properly applicable to the payment of dividends, fixed cumulative preferential dividends at the rate of 7½% of the amount paid up thereon payable quarterly on the first days of January, April, July and October in each year, such dividends to accrue from the date of allotment.

Reference is made to the restrictions on the Company's ability to pay dividends described under the heading "Dividend, Redemption and Other Restrictions" on page 16 hereof.

Rights on Liquidation

In the event of the liquidation, dissolution or winding up of the Company or any other distribution of the assets of the Company for the purpose of winding up its affairs, the holders of the Series A Preference Shares are entitled to receive the amount paid up thereon together with a premium of 6% of such amount plus all accrued but unpaid dividends thereon before any amount is paid or any asset of the Company distributed to the holders of any shares ranking junior to the Series A Preference Shares. The holders of the Series A Preference Shares are not entitled to share in any further distribution of the property or assets of the Company.

Redemption

The Company has the right, at its option, to redeem at any time the whole or from time to time any part of the Series A Preference Shares then outstanding on payment for each share to be redeemed of the amount paid up thereon together with a premium of 6% of such amount and all preferential dividends accrued but unpaid to the date fixed for redemption.

The Company is also entitled at any time or from time to time to purchase for cancellation all or any part of the Series A Preference Shares then outstanding in the market (including purchase through or from an investment dealer or member of a recognized stock exchange) or by invitation for tenders addressed to the holders of all Series A Preference Shares then outstanding at the lowest price at which in the opinion of the directors such shares are obtainable but not exceeding the amount paid up thereon together with a premium of 6% of such amount plus costs of purchase and all accrued but unpaid preferential dividends.

Reference is made to the restrictions on the Company's right to redeem shares or purchase shares for cancellation described under the heading "Dividend, Redemption and Other Restrictions" on page 16 hereof. Reference is also made to the sub-heading "Purchase Fund" on page 12 hereof.

Conversion Rights

Each Series A Preference Share is convertible into Common Shares of the Company, at the option of the holder, at any time up to the close of business on July 15, 1975, on the following basis:

4 Common Shares for each Series A Preference Share converted at any time up to and including July 15, 1972;

and thereafter,

3 Common Shares for each Series A Preference Share converted at any time up to and including July 15, 1975.

In the case of any Series A Preference Shares which may be called for redemption, the right of conversion shall cease and terminate at the close of business on the third business day prior to the date fixed for redemption.

Such conversion rates are subject to adjustment in certain events including the subdivision, consolidation or reclassification of the Common Shares and the payment of a dividend on the Common Shares payable in shares of the Company.

In the event the Company proposes to issue to the holders of its Common Shares subscription warrants or other rights to purchase shares of the Company, the Company is required to give written notice thereof to the holders of the Series A Preference Shares at least 10 days prior to the record date for the determination of the shareholders entitled to such subscription warrants or other rights to purchase shares.

No holder of a Series A Preference Share is entitled to receive on the conversion of such share any certificate for a fraction of a Common Share but the Company is required to issue in lieu thereof non-voting and non-dividend bearing fractional certificates.

Restrictions on Payment of Dividends

The Company may not declare, pay or set apart any dividends on any shares of the Company ranking junior to the Preference Shares unless all dividends up to and including the dividend payable on the last preceding dividend payment date on all the Preference Shares then outstanding have been declared and paid or provided for.

The Company may not without the approval of the holders of the Series A Preference Shares declare, pay or set apart any dividends on any shares of the Company ranking junior to the Series A Preference Shares if such declaration, payment or setting apart would reduce the Consolidated Earned Surplus (as defined below) below an amount equal to dividend requirements for 2½ years on all Preference Shares then outstanding.

"Consolidated Earned Surplus" is defined, in effect, to mean the Consolidated Net Earnings (as defined below) of the Company since May 27, 1957 less all items (other than dividends declared and/or paid in shares of the Company) which in accordance with generally accepted accounting practice are properly chargeable to earned surplus.

"Consolidated Net Earnings" is defined, in effect, to mean the aggregate of the net income of the Company and its subsidiaries (as defined below) determined in accordance with generally accepted accounting principles after making due allowance for minority interests and appropriate provision for the elimination and adjustment of inter-company items.

The term "subsidiary" is defined, in effect, to mean any corporation or company of which more than 50% of the outstanding voting shares are for the time being owned by the Company and/or any subsidiary of the Company and includes any company or corporation in like relation to a subsidiary.

Purchase Fund

So long as any Series A Preference Shares remain outstanding the Company is required on or before July 15 in each year commencing with the year 1970 to set aside in a special account (the "redemption fund") an amount equal to 5% of the aggregate par value of all the Series A Preference Shares theretofore issued. The aggregate of the par value of all Series A Preference Shares purchased for cancellation or redeemed (other than out of redemption fund moneys) or converted into Common Shares of the Company constitutes a redemption fund credit which may, at the option of the Company, be applied (to the extent not theretofore applied) in full or partial satisfaction of any redemption fund payment required to be made.

The credit balance of the redemption fund must be applied as soon as practicable to the purchase of Series A Preference Shares in the market at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the amount paid up on such shares together with a premium of 6% of such amount plus costs of purchase and all accrued but unpaid dividends thereon, and, if on September 15 in any year commencing with the year 1970 the credit balance of the redemption fund equals or exceeds $1,000, the Company is required to call for redemption such number of Series A Preference Shares as shall exhaust, as nearly as may be, such balance.

Reference is made to the restrictions on the Company's ability to redeem shares or purchase shares for cancellation described under the heading "Dividend, Redemption and Other Restrictions" on page 16 hereof.

Voting Rights

The holders of the Preference Shares are not entitled, except as noted below, to notice of or to attend any meetings of shareholders of the Company unless and until the Company fails to pay in the aggregate 8 quarterly dividends on the Preference Shares of any one series; thereafter, but only so long as any dividends on the Preference Shares of any series remain in arrears, the holders of the Preference Shares are entitled to 1 vote in respect of each Preference Share held at all meetings of shareholders of the Company and in addition are entitled, as a class, to elect one director if the board of directors of the Company consists of 7 or fewer directors and to elect two directors if the board of directors of the Company consists of more than 7 directors.

The holders of Preference Shares are entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

Pre-emptive Rights

The holders of the Series A Preference Shares have no rights, as such, to subscribe for or purchase any shares or other securities of the Company except as may be provided in the conversion rights attaching to the Series A Preference Shares.

Common Shares

The Common Shares without par value of the Company are subject in all respects to the rights of the holders of the Preference Shares. Each common share entitles the holder thereof to one vote at all meetings of shareholders of the Company.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company during the financial year of the Company ended April 30, 1969 was $44,000.

The aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company for the period from May 1, 1969 to May 31, 1969 was $4,332.

OPTIONS TO PURCHASE SECURITIES

On May 26, 1969, the directors of the Company resolved to create a share purchase plan for the benefit of employees of the Company and its subsidiaries who make significant contributions to the operation of the Company and its subsidiaries. The resolution creating the plan reserves 17,000 unissued Common Shares for the purposes of the plan and provides that options to purchase these shares may be granted to such employees at the direction of the directors of the Company. The purchase price of each share purchased pursuant to an option granted under the plan will be not less than 90% of the market price of such share on the day prior to the granting of the option. Options are to be granted only to full time employees remunerated as such, are to be exercisable only during the term of employment and during a maximum period within 5 years from the date of grant of the option concerned and are to be non-assignable. To date, no options to purchase shares under the plan have been granted to any employees of the Company.

On or about December 31, 1962 the Company granted to certain subscribers for Common Shares of the Company options to purchase additional Common Shares at the price of $3 per share on or before June 30, 1970. Since the Company was a private company at the date of the grant of the aforesaid options, there was no market for the Common Shares from which a value therefor could be determined. On June 4, 1969 the high bid price for Common Shares of the Company was $6.50 per share. At present the following individuals hold options as aforesaid to purchase the number of Common Shares set opposite their respective names:

Name	Number of shares
W. L. Baynton	224
J. E. Brown	40
R. A. McKay-Keenan	274
W. T. Seed	20

PRINCIPAL HOLDERS OF COMMON SHARES

The following table shows the number of Common Shares owned of record and beneficially, directly or indirectly, by the only person or company which at the date hereof so owns more than 10% of such shares:

Name and Address	Designation of Class	Type of Ownership	Number of Shares Owned	Percentage of Class
Tri-Service Investments Limited, 345 Lakeshore Road East, Oakville, Ontario	Common Shares without par value	Of record and beneficially	128,600	44%

The following table shows the percentage of the Common Shares of the Company owned beneficially, directly or indirectly, at the date hereof by all the directors and senior officers of the Company as a group:

Designation of Class	Percentage of Class
Common Shares without par value.....	10%

Seventy-seven and seven-tenths per cent of the outstanding common shares of Tri-Service Investments Limited are beneficially owned by Camglen Investments Limited. Sixty-seven and seven-tenths per cent of the outstanding common shares of Camglen Investments Limited are beneficially owned at the date hereof by all the directors and senior officers of the Company as a group.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In April of 1966, Camglen Investments Limited ("Camglen") purchased the Royal Caribbean Hotel and transferred the hotel to Royal Caribbean for shares of Royal Caribbean. On December 31, 1966, Royal Caribbean acquired the Royal-on-Sea Hotel. The aggregate acquisition cost of both hotels was $210,385.94. Camglen sold the shares of Royal Caribbean to the Company on May 1, 1967 for the price of $300,000, which price was based upon an appraisal by the auditors of the Company, Messrs. Thorne, Gunn, Helliwell & Christenson.

On May 1, 1967, the following persons who were then directors and senior officers of the Company and their associates and affiliates beneficially owned the percentages of issued and outstanding shares of Camglen set opposite their respective names below:

Name	% of Common Shares	% of Preference Shares
K. S. Bateman.....	4.1%	
R. Cummings.....	21.5%	
G. T. Hogarth.....	8.4%	1.8%
E. S. Latta.....	15.4%	
N. S. Rylance.....	5.8%	

On May 1, 1967, Camglen beneficially owned 66.4% of the issued and outstanding common shares of Tri-Service Investments Limited ("Tri-Service") and Tri-Service beneficially owned 56.2% of the issued and outstanding Common Shares of the Company.

MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries has entered into any material contracts within two years prior to the date hereof other than

(i) contracts entered into in the ordinary course of business,

(ii) the contracts referred to under the heading "Plan of Distribution" on page 15 hereof and under the sub-heading "Champion Machine and Tool Co. Limited" on page 3 hereof, and

(iii) an agreement dated the 1st day of September, 1967 made between Emily May Miller ("Miller"), the Company and Leon Z. McPherson (the "Trustee"), which agreement provides for the assignment of 51% of the issued and outstanding shares of Steel Master and Tecumseh to the Trustee to be held by him to secure payment of the balance of the purchase price to be paid by the Company for the shares of those companies. Until default occurs in the payment of the balance of the purchase price, the Company is entitled to exercise all of the rights of a shareholder with respect to such shares including the right to vote and to receive dividends thereon, if any. Upon payment of the balance of such purchase price, the shares are to be re-assigned to the Company.

Copies of the foregoing contracts may be examined at the offices of the Company, 345 Lakeshore Road East, Oakville, Ontario during ordinary business hours during the course of primary distribution of the shares offered hereby and for a period of 30 days thereafter. Certain schedules have been removed from the agreement granting to the Company the option to purchase common shares of Champion and are not available for examination since these schedules contain financial information of a confidential nature relating to the affairs of Champion.

PLAN OF DISTRIBUTION

Under an agreement dated June •, 1969 with J. H. Crang & Co., 20 King Street West, Toronto, Ontario, (the "Underwriter") the Company has agreed to sell and the Underwriter, as principal, has agreed to purchase, subject to the terms and conditions set forth in the said agreement, the 25,000 Series A Preference Shares and 50,000 Common Shares of the Company offered hereby for an aggregate price of $ • payable in cash against delivery of such shares on or about July 24, 1969 in the manner set out in the said agreement. The Company has agreed to pay to the Underwriter a commission of 7% of the aggregate price of such shares . The said Agreement also provides that the Underwriter shall offer such shares to the public in units consisting of one Series A Preference Share and two Common Shares at a price not to exceed $ • per unit.

USE OF PROCEEDS

The estimated net proceeds to the Company from the sale of the Series A Preference Shares and the Common Shares offered hereby will amount to approximately $ • (after deducting expenses of issue estimated at $35,000). In the event that the Company decides to exercise its option to purchase all the issued and outstanding shares of Champion then $200,000 of such proceeds will be used to pay the purchase price of the said shares. The balance of such proceeds, or the whole of such proceeds in the event that the aforesaid option is not exercised, will be used to make major equity investments in corporations in the industrial metal fabricating and metal working business and to provide additional capital for the further development of the Company's subsidiaries. The amount of such proceeds which will ultimately be allocated to each such purpose has not yet been determined but pending ultimate allocation thereof, the proceeds of issue will be invested in short-term securities.

PRIOR SALES OF COMMON SHARES

During the period from June 9, 1968 to June 9, 1969, the Company issued Common Shares as set forth below. The numbers of shares issued and the prices paid therefor have been adjusted to give effect to supplementary letters patent issued to the Company on February 5, 1969 providing, inter alia, for the subdivision of each Common Share into two Common Shares.

Persons to whom shares issued	No. of shares	Price per share
Subscribers	2,700	$4.875
	23,666	4.375
Holders of 6½% Sinking Fund Secured Collateral Trust Notes Series A who agreed to convert notes into Common Shares	4,560	4.165
Holders of warrants to purchase Common Shares at $4 per share	9,004	4.00
Holders of options to purchase Common Shares at $3 per share	300	3.00

AUDITORS

The auditors of the Company are Messrs. Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, 101 Richmond Street West, Toronto, Ontario.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Series A Preference Shares and Common Shares of the Company is Canada Permanent Trust Company at its principal office in Toronto, Ontario.

DIVIDEND, REDEMPTION AND OTHER RESTRICTIONS

Under the provisions of Section 7.15 of a Deed of Trust and Mortgage (the "1963 Trust Deed") dated as of September 15, 1963 made between the Company and The Royal Trust Company securing the repayment of 6½% Sinking Fund Debentures, Series A issued by the Company, the Company has covenanted not to declare or pay cash dividends on any of its shares or redeem, reduce, purchase or retire any of its shares unless after giving effect thereto

(i) the Net Current Assets (as defined in the 1963 Trust Deed) of the Company shall be not less than the greater of $100,000 or 100% of all Funded Obligations (as defined in the 1963 Trust Deed) to be outstanding after the application of any moneys then held by a trustee for sinking fund purposes, and

(ii) the aggregate principal amount of all outstanding indebtedness of the Company secured by a specific charge upon any assets or property of the Company does not exceed four times the Equity (as defined in the 1963 Trust Deed) in the Company.

Under the provisions of Section 9.15 of a Deed of Trust and Mortgage (the "1965 Trust Deed") dated as of May 15, 1965 made between the Company and Eastern & Chartered Trust Company securing the repayment of 6½% Sinking Fund Collateral Trust Notes Series A issued by the Company, the Company has covenanted

(i) not to declare or pay any cash dividends or redeem, reduce, purchase or retire any of its shares if, immediately after giving effect thereto, the aggregate amount of all the Consolidated Debt (as defined in the 1965 Trust Deed) at the time of such transaction plus the par value of the then outstanding preference shares issued by subsidiaries and not owned by the Company is greater than or would thereby exceed three times the sum of Consolidated Equity (as defined in the 1965 Trust Deed) and Junior Debt (as defined in the 1965 Trust Deed) at the time of such transaction, and

(ii) not to declare or pay any dividends on or make any distribution with respect to shares of the Company (excepting dividends or distributions payable in shares of the Company) or apply any of its assets to the payment, purchase, redemption, acquisition or other retirement of any of its shares unless the aggregate of such dividends, distributions and applications made subsequent to December 31, 1964, does not exceed an amount equal to 50% of the aggregate Consolidated Net Earnings (as defined in the 1965 Trust Deed) of the Company accumulated during the years following December 31, 1964, and up to the date of any such dividend, distribution or payment.

A copy of each of the above mentioned Trust Deeds is available for inspection at the principal office of the Company and at the principal office in Toronto of Canada Permanent Trust Company.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1966 of Ontario provides, in effect, that where a security is offered in Ontario in the course of primary distribution to the public,

(i) a purchaser may rescind an agreement to purchase such security, while still the owner thereof, if the current prospectus or amended prospectus offering the security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce such right can be commenced by the purchaser after the expiration of 90 days from the later of the date of such agreement or the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or his agent; and

(ii) a purchaser is not bound by an agreement to purchase such security if written or telegraphic notice evidencing the intention of the purchaser not to be bound is received by the person or company from whom the purchaser purchased the security not later than midnight on the second business day after the prospectus or amended prospectus offering the security is received or is deemed to be received by the purchaser or his agent.

The full text of such provisions is contained in Section 63 and 64 of The Securities Act, 1966 of Ontario.

ENTAREA MANAGEMENT LIMITED

and subsidiary companies

Consolidated Balance Sheet—April 30, 1969

ASSETS

Current Assets		
Cash	$ 162,034	
Marketable securities, at cost (quoted market value $8,800)	11,221	
Accounts receivable—trade	349,960	
Other amounts receivable (note 2)	489,740	
Inventories (note 3)	490,761	
Prepaid expenses	46,135	$1,549,851
Fixed Assets, at cost (note 4)		
Land	105,000	
Buildings	840,436	
Machinery and equipment	1,039,304	
Furniture, fixtures, leasehold improvements and automobiles	190,219	
	2,174,959	
Less accumulated depreciation	674,567	1,500,392
Deferred Charges		
Discount and financing expenses less amount amortized	18,893	
Other deferred charges	25,721	44,614
Excess of Cost of Shares in Subsidiary Companies over equity in underlying assets		210,272
		$3,305,129

LIABILITIES

Current Liabilities		
Bank advances (note 5)	$ 428,465	
Accounts payable and accrued liabilities	309,677	
Unsecured short term notes (note 6)	57,775	
Principal amount due within one year on long term debt	108,370	
Income taxes payable	58,533	$ 962,820
Long Term Debt (note 7)		960,815
Deferred Income Taxes		24,233
Shareholders' Equity		
Capital stock (note 8)		
Authorized— 40,000 Preference shares of $25 each, issuable in series		
—1,000,000 Common shares without par value		
Issued — 292,410 Common shares	1,098,768	
Retained earnings	258,493	1,357,261
		$3,305,129

Approved by the Board

(Signed) R. Cummings, Director

(Signed) E. S. Latta, Director

ENTAREA MANAGEMENT LIMITED

and subsidiary companies

Consolidated Statement of Income

	Year ended April 30		Four months ended	Year ended December 31		
	1969	1968	April 30, 1967	1966	1965	1964
Sales, interest and other income	$2,290,854	$1,236,600	$ 58,238	$241,469	$334,140	$178,305
Profit from operations before deducting the following expenses	342,116	247,505	14,314	48,352	113,772	56,810
Deduct						
Interest on long term debt	64,299	58,906	9,613	43,390	64,381	21,959
Amortization of discount and financing expenses	3,490	4,060	688	5,860	7,466	5,919
Depreciation (note 4)	111,867	60,218	3,870	15,770	17,150	6,637
	179,656	123,184	14,171	65,020	88,997	34,515
Income (loss) before income taxes	162,460	124,321	143	(16,668)	24,775	22,295
Income taxes						
Current	76,960	45,699	2,400	6,400	7,347	1,600
Deferred	(4,083)	9,456		(3,400)	4,400	3,400
	72,877	55,155	2,400	3,000	11,747	5,000
Income (loss) for the period before undernoted items	89,583	69,166	(2,257)	(19,668)	13,028	17,295
Undernoted items						
Profit on sale of fixed assets and securities	12,768	23,891	8,258	38,097	14,394	8,292
Gain resulting from devaluation of Eastern Caribbean dollars (note 1)		48,793				
Income tax reduction realized on carry forward of prior years' losses						1,600
Securities written down to market			(8,380)			
	12,768	72,684	(122)	38,097	14,394	9,892
Net income (loss) for the period (note 12)	$ 102,351	$ 141,850	$ (2,379)	$ 18,429	$ 27,422	$ 27,187

Consolidated Statement of Retained Earnings

Balance at beginning of period	$ 191,079	$ 76,570	$ 78,949	$ 60,520	$ 33,098	$ 5,911
Net income (loss) for the period	102,351	141,850	(2,379)	18,429	27,422	27,187
	293,430	218,420	76,570	78,949	60,520	33,098
Dividends paid	34,937	27,341				
Balance at end of period	$ 258,493	$ 191,079	$ 76,570	$ 78,949	$ 60,520	$ 33,098

Consolidated Statement of Contributed Surplus

Balance at beginning of period	$ 295,700	$ 228,915	$206,194	$203,044	$196,219	$ 65,200
Add						
Premium on shares issued for cash	50,786	66,665				95,650
Premium on shares issued in exchange for all the outstanding shares of Northrigg Investments Limited						35,369
Premium on shares issued on exercise of warrants	1,281	90	16,500		6,825	
Premium on shares issued on exercise of options	50	30	6,221	3,150		
Premium on shares issued on conversion of secured collateral trust notes	7,600					
Deduct						
Transfer to capital stock upon changing of common shares from $5 par value to no par value	(355,417)					
Balance at end of period	Nil	$ 295,700	$228,915	$206,194	$203,044	$196,219

ENTAREA MANAGEMENT LIMITED

and subsidiary companies

Notes to Consolidated Financial Statements—April 30, 1969

1. Basis of Consolidation and Currency Conversion

The consolidated financial statements include the accounts of the following wholly owned subsidiary companies from the date of acquisition of shares:

Hazelwood Developments Limited, 74% acquired in 1965 and the remaining 26% acquired in 1966
Steel Master Tool Company Limited, acquired September 1, 1967
Tecumseh Metal Products Limited, acquired September 1, 1967
Colt Press Automation Limited, acquired October 31, 1967
Royal Caribbean Hotels Limited, acquired May 1, 1967

Eastern Caribbean dollar balances have been converted into Canadian dollars on the following basis: fixed assets (including depreciation thereon) at the rates prevailing on the dates of acquisition; current assets and current liabilities at the rate prevailing at the company's year end; long term debt at the rate prevailing at the date of issue; shareholders' equity at the rate prevailing at the date of acquisition of the company; revenue and expenses other than depreciation at the average rates prevailing during the periods. A gain resulting from devaluation of Eastern Caribbean dollars in the company's 1968 fiscal year amounting to $48,793 has been shown in the consolidated statement of income.

2. Other Amounts Receivable

Trust company deposit certificate	$ 5,000
Mortgages receivable	113,332
Interest bearing notes receivable	148,603
Debenture funds receivable (since received)	159,111
Receivable from Affiliated companies (since received)	41,600
Income taxes recoverable	10,848
Miscellaneous amounts receivable	11,246
	$489,740

Details of mortgages receivable:

6%, maturing December 31, 1969 with an option to extend the term to December 31, 1970 upon the payment of $15,000 principal and adjustment of the interest rate from 6% to 9% for 1970, with interest on principal outstanding payable quarterly	$108,091
9% maturing June, 1969	5,241
	$113,332

3. Inventories

Raw materials	$ 90,487
Work in progress	340,255
Finished goods	60,019
	$490,761

Raw materials are valued at the lower of cost and net realizable value with the exception of steel which is valued at the lower of cost and replacement cost.

Work in progress is valued at the lower of cost and net realizable value.

Finished goods are valued at selling price less normal profit margin.

4. Depreciation

During the year, two subsidiary companies acquired on September 1, 1967 changed their depreciation policy on production machinery from the declining balance method to the straight line method and revised rates of depreciation based on actual rates of usage of machinery for production purposes.

The effect of using the currently applied methods of depreciation accounting in respect of 1968 would have been to increase net income before taxes by $2,800.

5. Bank Advances

The bank advances are secured by a general assignment of book debts and inventories.

6. Unsecured Short Term Notes

The unsecured short term notes bear interest at rates ranging from 5¾% to 7¾%.

7. Long Term Debt

Entarea Management Limited	
Mortgages payable, bearing interest at rates ranging from 6½% to 12% maturing at various dates from 1972 to 1988	$ 46,585
6½% Sinking fund secured collateral trust notes, Series A, to mature May 15, 1980	51,000
6½% Sinking fund debentures, Series A, to mature September 15, 1978	177,000
7% Promissory note payable, due September 1, 1972, payable in equal annual principal instalments of $46,000	184,000
Steel Master Tool Company Limited	
7¼% debenture, payable $5,000 monthly, maturing in 1975	370,000
Tecumseh Metal Products Limited	
7% Mortgage, payable $200 quarterly, maturing March 1, 1978	24,200
Royal Caribbean Hotels Limited (payable in Eastern Caribbean dollars)	
9½% Bank debenture payable $21,640 annually on May 1, maturing May 1, 1979. The interest rate on the debenture is variable with the current bank rate charged (E.C. $400,000)	216,400
	1,069,185
Less principal amount included in current liabilities	108,370
	$ 960,815

Sinking Fund requirements are as follows:

Sinking Fund debentures, Series A	
1970	3,000
1971-1977	21,000 annually
Secured collateral trust notes, Series A	
1978	3,000
1979	21,000

The 7% promissory note payable is secured by the assignment of 35% of the outstanding shares of Steel Master Tool Company Limited and Tecumseh Metal Products Limited.

8. Capital Stock and Change of Name

On February 5, 1969 the company obtained supplementary letters patent which

(a) changed and subdivided the 139,750 issued and 60,250 unissued common shares, par value $5 into 279,500 issued and 120,500 unissued common shares without par value

(b) increased the authorized capital by creating 40,000 preference shares, $25 par value and 600,000 common shares without par value

On May 29, 1969, the company obtained supplementary letters patent

(a) changing the name to Entarea Management Limited from Entarea Investment Management Limited

(b) providing that the first series of preference shares shall consist of 25,000 shares designated as 7½%, cumulative, redeemable convertible preference shares, Series "A". The shares are redeemable at any time at a 6% premium and are convertible on the basis of 4 common shares for each preference share up to July 15, 1972 and on the basis of 3 common shares for each preference share up to July 15, 1975

The company has reserved 29,050 common shares as follows:

(a) 558 common shares optioned at $3 per share exercisable on or before June 30, 1970

(b) 11,492 common shares for exercise of outstanding share purchase warrants at $4 per share on or before June 30, 1970

(c) On May 26, 1969, 17,000 common shares under Employee Share Purchase Plan

In January, 1969 secured collateral trust notes in the amount of $19,000 were exchanged for 2,280 common shares of $5 each (4,560 shares without par value).

In 1964 the company issued 11,214 common shares of $5 each valued at $91,439 for all the outstanding shares of Northrigg Investments Limited.

9. Dividend Restrictions

Under the conditions attaching to the Series A notes and Series A debentures there are certain provisions restricting the payment of dividends, which provisions are summarized under the heading "Dividend, Redemption and Other Restrictions" on page 16 hereof.

Under conditions attaching to the Series A preference shares, the company shall not without authorization by the Series A preference shareholders pay any dividend on common shares which would reduce consolidated retained earnings below an amount equal to dividend requirements for two and one-half years on all preference shares outstanding.

10. Redemption Fund

On or before July 15 each year, commencing in 1970 the company is required to set aside in a separate account of the company as a redemption fund an amount equal to 5% of the aggregate par value of all Series A preference shares issued. Preference shares purchased for cancellation or redeemed (other than out of redemption fund moneys) or converted into common shares shall constitute a redemption fund credit.

11. Option

The company has an option to purchase all the outstanding shares of another company for $200,000 and 10,000 common shares exercisable on or before August 15, 1969. If the option is not exercised, under certain conditions the company may be required to pay $50,000 to the optionors.

12. Changes in Reported Earnings and Retained Earnings

Earnings and retained earnings differ from those reported in the annual statements principally because of changes which have been consistently applied throughout the applicable periods in the method of accounting for deferred income taxes adopted by the parent company in 1969 and of valuing work in progress in a subsidiary company acquired in the 1968 fiscal year.

Certificate of the Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

Dated: June 10, 1969.

(Signed) R. CUMMINGS
President and Chief Executive Officer

(Signed) E. S. LATTA
Secretary-Treasurer and Chief Financial Officer

(Signed) HARRY NOCK
Director, on behalf of the Board of Directors

(Signed) G. T. HOGARTH
Director, on behalf of the Board of Directors

Certificate of the Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

Dated: June 10, 1969.

J. H. CRANG & CO.

by (Signed) M. J. HOWE

The following includes the names of the partners of J. H. Crang & Co.: James Harold Crang, Eric Duff Scott, Dennis A. FitzGerald, Murray Joseph Howe, David M. Dunlap, Paul Robert, Fred Vernon McCann, Owen Anthony Haig Sims, James William Bradshaw, Peter Charles Douglas Best and G. C. Donley (limited partner).